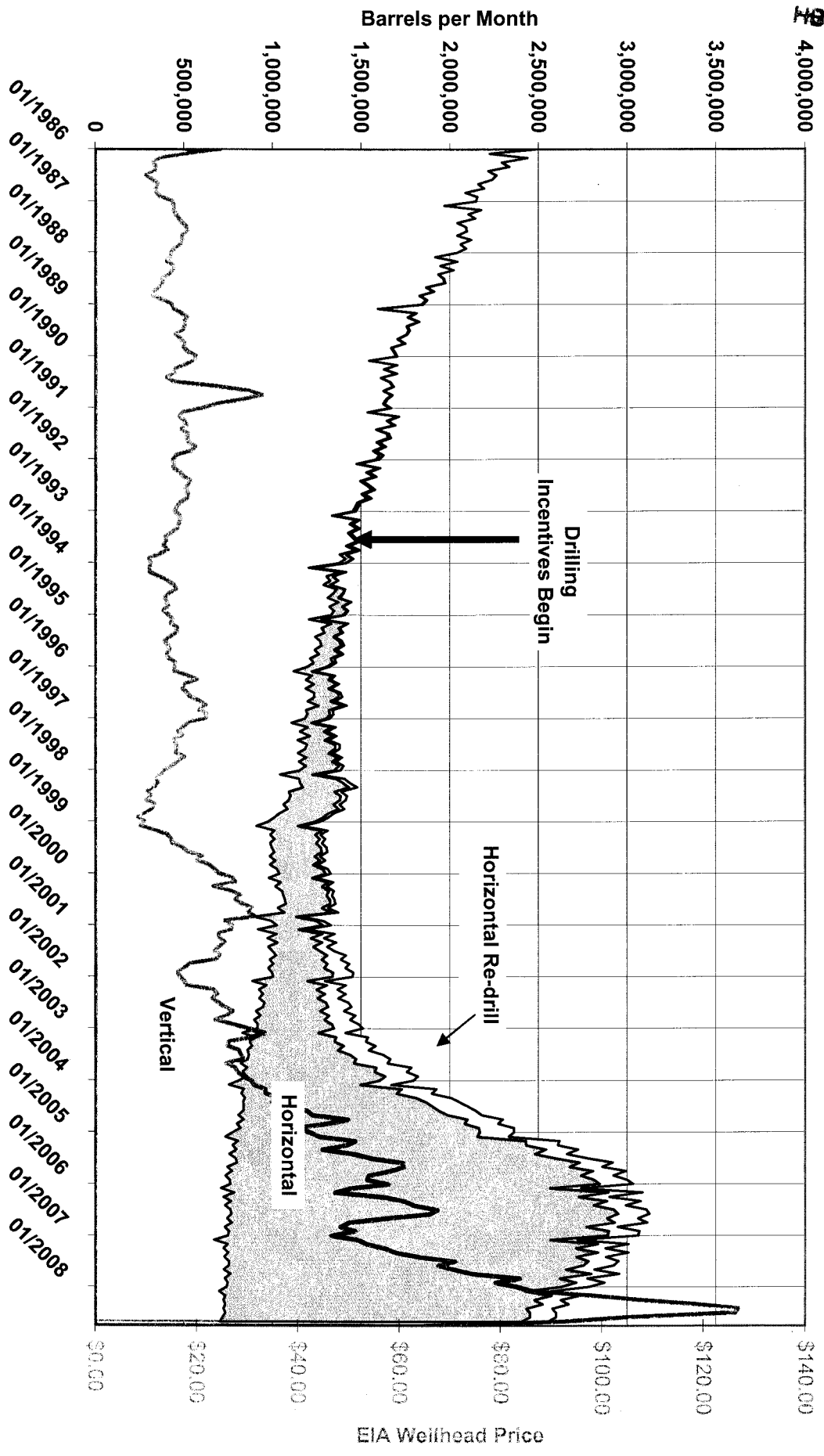


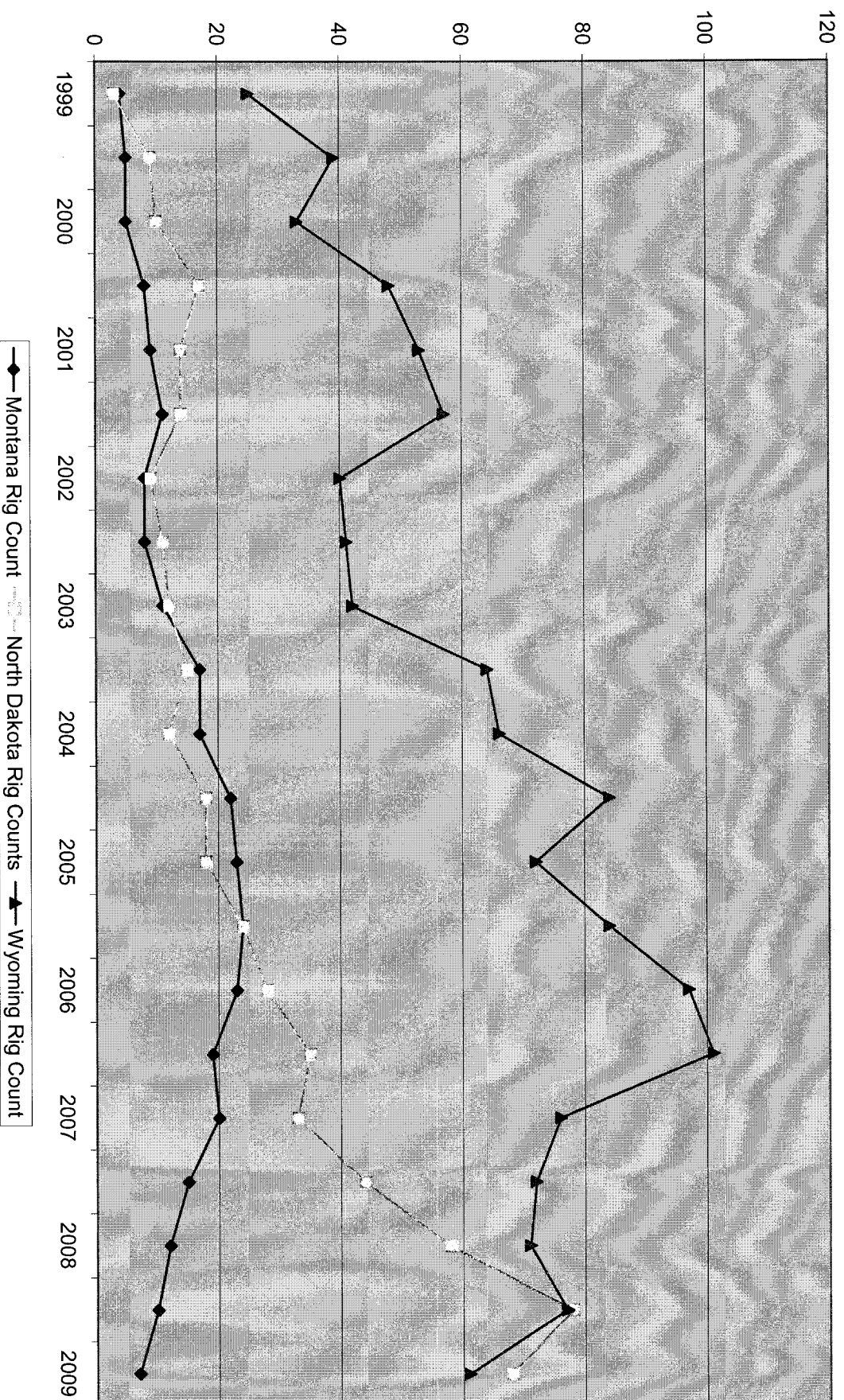
Montana Monthly Oil Production, Vertical vs. Horizontal Wells January 1986 through September 2008



(Includes horizontally drilled or recompleted wells regardless of current producing horizon.)

Rig Counts - Montana vs. North Dakota & Wyoming

Source: Rocky Mountain Oil Journal



Fidelity Exploration & Production Company
Testimony of Bruce Williams in Opposition to HB 388
House Education Committee
February 13, 2009

Madame Chair, members of the Committee, my name is Bruce Williams. I am a consultant from Sheridan, Wyoming representing Fidelity Exploration & Production Company. Before my retirement in March 2008 I was Vice President of Operations for Fidelity.

Fidelity is the largest producer of natural gas in Montana. The company has operations in three principal areas as shown on the map I distributed. The company produces conventional natural gas in the Cedar Creek Field in Fallon County near Baker and in the Bowdoin Field in Phillips and Valley Counties near Saco. In addition, the company produces coalbed natural gas in Big Horn County near Decker.

If you will refer to the second handout, Fidelity's Montana gas production in 2000 was approximately 30 million cubic feet per day. Today that production is approximately 130 million cubic feet per day. That increase in production is the result of drilling a significant number of new vertical natural gas wells in the three areas where Fidelity operates. The company has utilized updated technology to redevelop the tight gas sands in Cedar Creek and Bowdoin Fields, each of which is almost 80 years old. In addition, the company discovered and has developed coalbed natural gas in the Powder River Basin near Decker.

I cannot stand here today and tell you that the competitive production tax program currently in place in Montana is the only reason why these new wells were drilled. What I can tell you is that the competitive production tax rates and the tax incentive that exists for new wells play an important role in the economic analysis performed before a well is drilled.

The production tax increase proposed in HB 388 disrupts the stable, competitive production tax environment that has been in place for the past ten years. Will a tax increase of \$0.08 per Mcf mean that Fidelity will probably stop drilling wells in Montana? No. What it does do is create a level of uncertainty relative to where taxes will be in the future.

What will be the compelling need for revenue in 2011? In 2013? This kind of uncertainty will play into decisions regarding future investment in Montana. Passage of the production tax increase in HB 388 may well put some future investments in Montana at risk and you need to decide whether you want to take that risk.

The legislature had the foresight to implement a competitive production tax program in 1999 and it has definitely worked. Development has occurred; the production has increased; and the state and counties have benefited tremendously from increased tax revenues. .

I encourage you to maintain the current competitive production tax program and to vote against SB 258.

MDUR - 2/22 mm

Integrated Nat resource co.

Not about oil v education

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